

Chapter 3

Digital Competence for Enhancing Financial Inclusion in FinTech Adoption: Addressing the Digital Divide

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ABSTRACT

The cruciality of financial inclusion is the key determinant of economic empowerment. Individuals, however, are continually inhibited in their engagement with financial technology solutions because they lack digital competence. This chapter examines the contribution of digital competence toward financial inclusion through FinTech uptake. It defines the basic digital skills necessary for financial technologies and reviews prevailing gaps, especially among the underserved. Socioeconomic, cultural, and infrastructural barriers to digital competence are discussed, with strategies like educational programs advocated to increase digital literacy. Improved digital competence enables individuals to navigate FinTech platforms effortlessly, reducing gaps and facilitating inclusive financial participation. A reflection is made on broader impacts on economic growth and sustainable development, with policy recommendations for digital upskilling. This chapter signals the nexus between digital competence and financial inclusion, recommending proactive steps to ensure fairness in access to FinTech.

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INTRODUCTION

Addressing the digital divide in financial technology (FinTech) adoption to enhance financial inclusion remains a pressing and complex issue. FinTech, consisting of hardware, software, and data applications, provides and enhances existing financial and banking services with financial innovation for the 21st century (Erić, 2022; Harris & Wonglimpiyarat, 2023). Extending from traditional services, new services with technological and digital enhancements are widely available and used by different population groups worldwide to meet personal, social, and commercial needs. As these needs are fulfilled, transaction data is generated and enables the process at the back end, supported by big data analytics, artificial intelligence (AI), and cloud technologies (Awotunde et al., 2021; Habib et al., 2022; Nguyen et al., 2023). Digital transformation by banks and FinTech investments is increasing to gain new income-generating opportunities, and solid partnerships have been developed to absorb technology innovations with traditional financial services for banking and financial intermediary services with minimal intermediation (Harris & Wonglimpiyarat, 2023; Li & Liu, 2023). All these technological-based transformations in the financial industry are there to address the issue of financial inclusion within diverse populations.

Financial inclusion, both for individuals and businesses, is crucial for ensuring the cost efficiency of transferring money, accessing credit and financial services, and increasing the share of the population that is banked. The provision of banking, microfinance, or insurance services is proving to be instrumental in engaging people and businesses in financial systems, bridging the gap between banks and financial services, and the underbanked (Singh & Sharma, 2023). Financial inclusion is benefiting from the rise of financial technology. Technological advancement is reshaping how financial services are created and delivered to previously underserved people and businesses (Harris & Wonglimpiyarat, 2023; Miah, 2023). The proliferation of mobile devices, e-commerce, and e-payment systems is an enabler of financial technology. Advancements in digital technology have enabled financial technology services to reach previously excluded people and businesses. However, the benefits of financial technology-driven financial services can be realised, especially if access to and use of such services are uniformly high.

When access to digital finance infrastructure becomes unequal or lags, in that case, the populations that benefit the least from general-purpose technologies miss all these opportunities opened by financial technology. As a result, a technological digital divide emerges. Populations not able to use financial technology have yet another disadvantage. The result is a new digital divide that can further exacerbate income, education levels, and well-being disparities between those who master digital horizons and those who will be left behind (Raihan et al., 2024; Wu & Peng, 2024).

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